
Board Action Bulletin



Prepared by the Office of External Affairs

NCUA BOARD MEETING RESULTS FOR FEBRUARY 17, 2005

Loan rule amendments finalized

The National Credit Union Administration (NCUA) Board issued a final change to Section 701.21 revising the rule's application to loans guaranteed under state or federal loan guarantee programs as well as mobile home and manufactured home loans to coincide with legal interpretations recently issued by NCUA's Office of General Counsel.

The Board approved amendments to the lending rule to enhance an FCU's ability to meet the credit needs of members. These rule changes allow FCUs to offer credit products that are more affordable to lower income members.

The changes amend three subsections of the lending rule clarifying:

1. Conditions to apply the rule to loans secured by mobile homes, recreational vehicles, house trailers and boats;
2. Loans secured by manufactured homes may be considered residential real estate loans; and
3. Loans with a partial government guarantee, insurance, or advance commitment to purchase a portion of a loan fall within the rule.

Twenty-year loans

The rule change authorizes federal credit unions to make loans with maturities of up to 20 years to:

1. Finance the first lien on a mobile home purchased as the member-borrower's residence, and the loan meets Internal Revenue Service requirements for a home mortgage interest deduction;
2. Finance a second mortgage loan (or when a residence has no existing first mortgage) if the loan is secured by a member-borrower residence; and
3. Finance the repair, alteration or improvement of a member-borrower residential dwelling.

A mobile home may include a recreational vehicle, house trailer or boat.

Long-term mortgage loans:

A federal credit union may make residential real estate loans to members, including loans secured by manufactured homes permanently affixed to the land, with maturities of up to 40 years, or such longer period as may be permitted by the NCUA Board on a case-by-case basis.

National Credit Union Share Insurance Fund year-end report

The National Credit Union Share Insurance Fund (NCUSIF) ended 2004 with a 1.27 percent equity-to-insured share ratio for the third year in a row. The equity ratio is based on December 31, 2004, insured shares of \$500 billion.

NCUSIF gross income was \$125.4 million in 2004, total operating expense was \$81.4 million, \$3 million under 2003 operating expenses, insurance loss expense was a negative \$3.4 million, and net income was \$47.4 million.

Twenty-one credit unions failed during the year and related costs totaled \$12.9 million. Changing the NCUSIF reserving methodology to a pooling concept in 2004 resulted in a negative insurance loss expense. The NCUSIF reserve provision to protect against future losses ended 2004 at \$67.1 million.

The number of problem code credit unions was 255 at year-end. These institutions hold 0.87 percent of the total insured shares. During 2004, 205 credit unions were added and 167 credit unions were dropped from the problem code category. Of those dropped, 96, or 57 percent, improved and were removed from the problem code listing while the remainder either merged or liquidated.

Board votes are unanimous unless indicated.